

APPENDICES DIRECTORY

WHITE PAPER WHITE PAPER : AMERICAN INDEPENDENT RADIO

Proposal to be the Qualified Entity or Independent Trustee to Administer and Manage the Unaffiliated Independent Supplier/Content Programs to be Transmitted on Sirius XM Channel Allotment per the Sirius-XM Merger Order

THE INFINITE DIAL 2008: RADIO'S DIGITAL PLATFORMS

Online, Satellite, HD Radio® and Podcasting 2006 Arbitron Inc. and Arbitron Radio Listening Report

RADIO TODAY HOW AMERICA LISTENS TO RADIO

Arbitron2008 Edition

A QUANTITATIVE HISTORY OF OWNERSHIP CONSOLIDATION IN THE RADIO INDUSTRY

Future of Music Coalition, December 2006

OFF THE DIAL: FEMALE AND MINORITY RADIO STATION OWNERSHIP IN THE UNITED STATES

How FCC Policy and Media Consolidation Diminished Diversity on the Public Airwaves, Free Press, June 2007



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The Infinite Dial 2008: Radio's Digital Platforms

Online, Satellite, HD Radio® and Podcasting

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Overview

We are pleased to present our new Arbitron/Edison Media Research study, *The Infinite Dial 2008: Radio's Digital Platforms*. In this report, we continue to explore the world of radio, as it stands in 2008 and continues to take on new forms, in particular, an increasing number of digital platforms, such as online, satellite, HD Radio® and podcasting.

Digital Radio Revolution

Developments in technology have dramatically broadened the choices available to consumers for all media, including audio programming. By the late 1990s, consumers had the newfound ability to listen to audio “streamed” over the Internet, and two new radio satellite services were born.

Digital radio has continued to evolve with the advent of podcasting (audio programming on demand for playback on iPod®/MP3 players) and HD Digital Radio (superior sound quality and additional, digital frequencies along the AM and FM dials).

In the past, “radio” was limited solely to what was available on the AM/FM dial. Today radio choices for consumers appear to have no bounds. That is why we call radio's new digital platforms “The Infinite Dial.” One can now “tune” to a boundless number of options for “radio.”

Radio with No Limits

Arbitron and Edison Media Research have been tracking the growth of radio in its new forms since 1998. In this report, we update the trends for the more established digital radio platforms, such as Internet streaming and satellite radio, and take a look at the newer worlds of podcasting and HD Radio. We profile the audiences of these new kinds of radio and the implications for advertisers and media planners.



How the Study Was Conducted

A total of 1,857 people were interviewed to investigate Americans' use of various forms of traditional, online and satellite media. From January 18 to February 15, 2008, telephone interviews were conducted with respondents age 12 and older chosen at random from a national sample of Arbitron's Fall 2007 survey diarykeepers. In certain geographic areas (representing eight percent of the national population), a sample of Arbitron diarykeepers was not available for the survey, and a supplemental sample was interviewed through random digit dialing.

Definition of Terms

Online radio: Over-the-air radio station programming rebroadcast on the Internet or audio programming available exclusively on the Internet.

Audio podcast: The concept of downloading various types of longer-form online audio programs, in the form of digital files you can listen to at any time you choose. Audio podcasting does not refer to the downloading of individual MP3s or songs. Audio podcasting does refer to the download of program-oriented online audio (such as a talk show or a hosted music program), usually as an automatic download that can be listened to at the user's convenience.

Significant Highlights

- **The weekly online radio audience is at an all time high with an estimated 33 million listeners.** An uptick in 2008 listening has resulted in the highest total weekly audience for online radio since Arbitron and Edison began tracking this measure in 2000. Thirteen percent of Americans age 12 and older reported listening to online radio in the last week.
- **Over one in seven 25- to 54-year-olds listen to online radio on a weekly basis.** Fifteen percent of Americans age 25-54 are weekly online radio listeners. Online radio delivers 14 percent of persons in the prime 18-49 radio buying demo.
- **Awareness of both satellite radio companies remains essentially flat for the third year in a row at around 60 percent.** In the year marked by merger talks between the two satellite radio companies -- XM and SIRIUS -- overall awareness of satellite delivered radio programming remained largely unchanged.
- Sixteen percent of those who do not currently subscribe to satellite radio (XM or SIRIUS) say they are likely to subscribe in the next 12 months. This figure is down slightly from 18 percent in 2007. Only two percent of non-subscribers to satellite radio say they are "very likely" to subscribe in the next 12 months.
- **iPod/portable MP3 player ownership continues to skyrocket among teens.** In 2007, 54 percent of teens owned an iPod or other portable MP3 player; in 2008 that number has risen dramatically to 73 percent of respondents age 12-17. Half of adults age 18-34 own an iPod or other portable MP3 player.
- Weekly online radio listeners and audio podcast listeners are more likely than average to purchase digital audio online. Half of audio podcast users and 42 percent of weekly online radio listeners have ever purchased digital audio online, compared to 21 percent of all respondents age 12 and older.
- **Only ten percent report less time with over-the-air radio specifically due to time spent with their iPod/portable MP3 player.** Sixty-three percent of Americans age 12 and older do not own an iPod/portable MP3 player, and 21% own one but say the device has had no impact on radio listening. Ten percent of MP3 player owners say they are listening less to over-the-air radio, though four percent of iPod or MP3 player users report spending more time listening to over-the-air radio.
- **Although awareness of podcasting has not changed, usage of audio podcasting is up.** While awareness of podcasting in 2008 remained steady at 37 percent (compared to 2007), those having ever listened to an audio podcast is up to 18 percent (from 13 percent in 2007). Nearly one in ten (nine percent) of Americans have listened to an audio podcast in the last month, equaling an estimated audience of 23 million listeners age 12 and older.
- **The majority of audio podcast users listen to podcasts most often on their computer.** Sixty-nine percent of the audio podcast audience most often listens to the downloaded programming on their computer; only 28 percent most often transfer the files to their iPod/portable MP3 player before listening.
- **More than one in three podcast listeners have heard a commercial during an audio podcast.** Thirty-six percent of those who have ever listened to an audio podcast say they recall hearing advertisements or sponsorship messages during the downloaded program; 43 percent of those who have listened to an audio podcast in the last month remember hearing on ad.

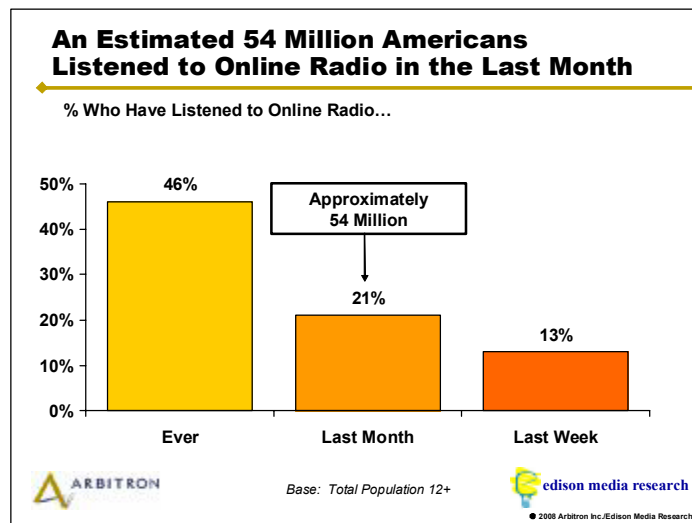


- **Awareness of HD Radio has not generated momentum over the past year.** In January 2006, 14 percent said they had heard or read anything recently about HD Radio; the following year that number nearly doubled to 26 percent, but for 2008 the awareness level remains fairly flat with 24 percent saying they have heard or read anything recently about the new broadcasting technology.
- **Contrary to commonly held beliefs, people who listen to digital radio platforms do not spend less time listening to AM/FM radio.** Some industry insiders assume that people who use new digital platforms listen less to AM/FM radio. As has been shown in previous Arbitron and Edison reports, once again, we find that people who use digital radio platforms do NOT listen less to AM/FM radio. Among respondents in our study, the average time spent listening per day to AM/FM radio was 2 hours, 48 minutes compared with 2 hours, 45 minutes a day among those who use radio's new digital platforms (listened to online radio in the last month, or subscribe to satellite radio, or have ever listened to an audio podcast). Despite the growth reported in alternatives, such as the iPod, online radio and satellite radio, the time spent listening to AM/FM radio by users of digital radio platforms has not changed versus a year ago.

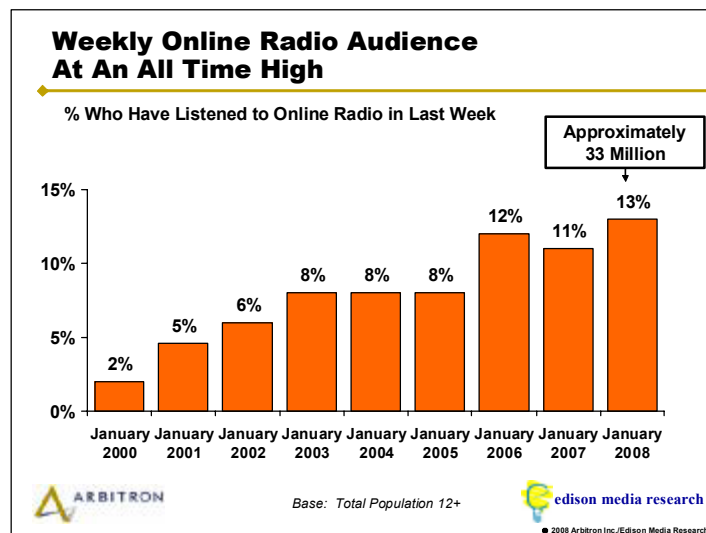
Key Findings

A. Online Radio

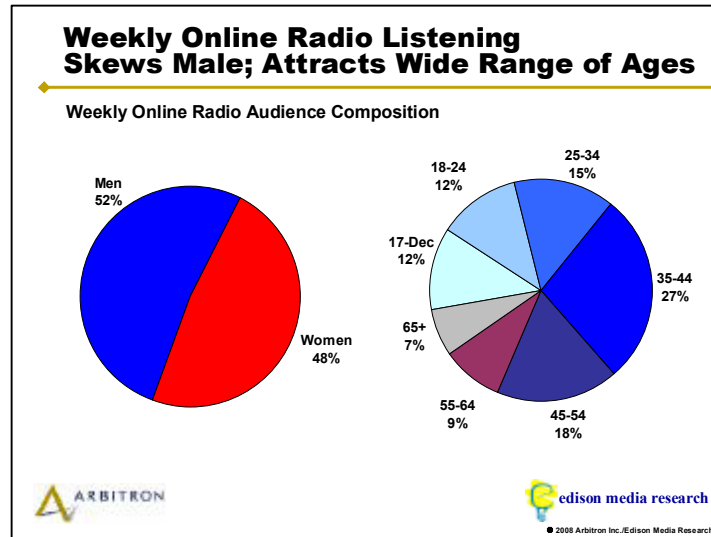
1. **Over one in five has listened to online radio in the last month.** Twenty-one percent of the U.S. population age 12 and older has listened to online radio in the last month. The estimated monthly audience for online radio is approximately 54 million.



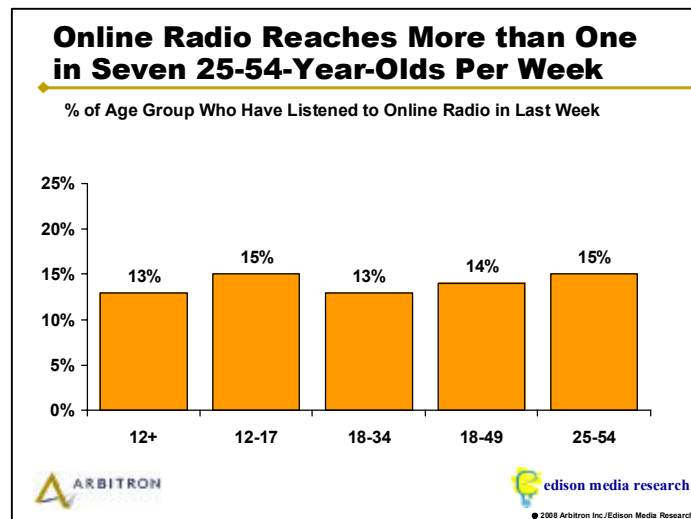
2. **The weekly online radio audience is at an all time high with an estimated 33 million listeners.** An uptick in 2008 listening has resulted in the highest total weekly audience for online radio since Arbitron and Edison began tracking this measure in 2000. Thirteen percent of Americans age 12 and older reported listening to online radio in the last week.



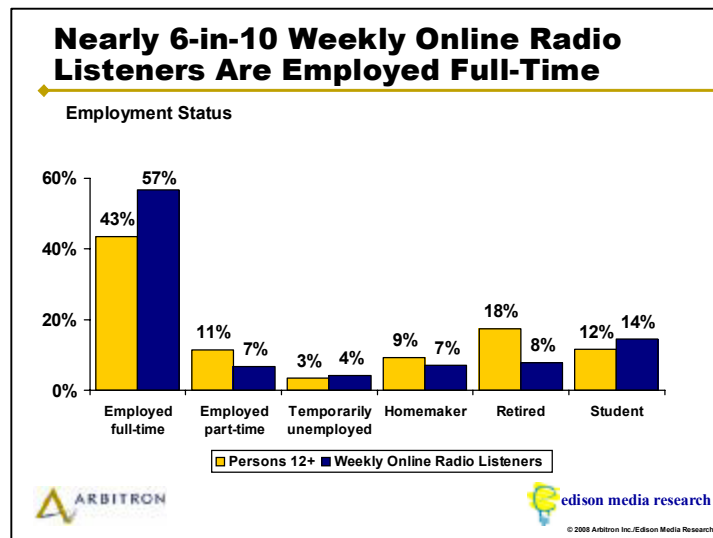
3. **The weekly online radio audience skews slightly male and adult.** Fifty-two percent of weekly online radio listeners are men. The broadcast medium delivers a solid adult audience, with 60 percent of listeners between the ages of 25 and 54.



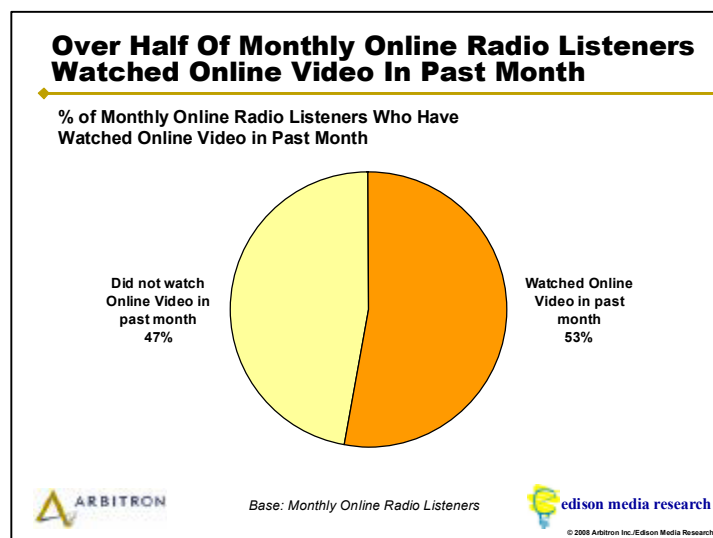
4. **Over one in seven 25- to 54-year-olds listened to online radio in the last week.** Fifteen percent of Americans age 25-54 are weekly online radio listeners. Online radio delivers 14 percent of persons in the prime 18-49 radio buying demo on a weekly basis.



5. **Online radio listeners are more likely to be employed full-time than average.** Fifty-seven percent of weekly online radio listeners are employed full-time, compared to only 43 percent of all respondents age 12 and older.

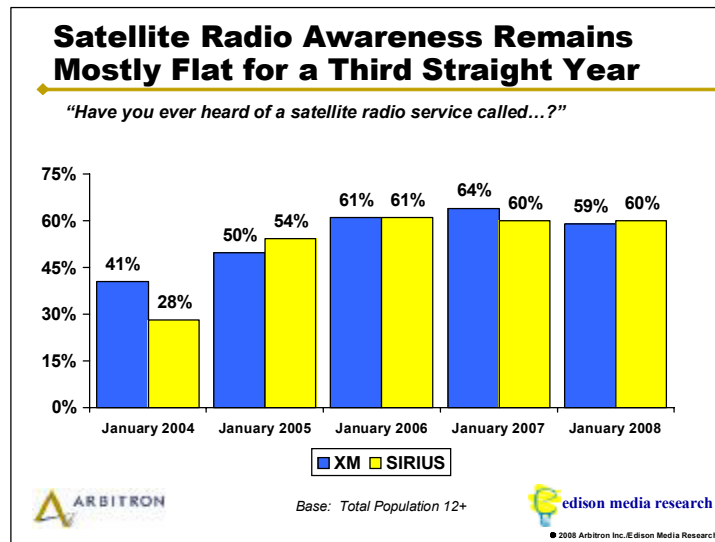


6. **The majority of online radio listeners also watch video online.** Fifty-three percent of monthly online radio listeners have also watched video over the Internet in the past month.

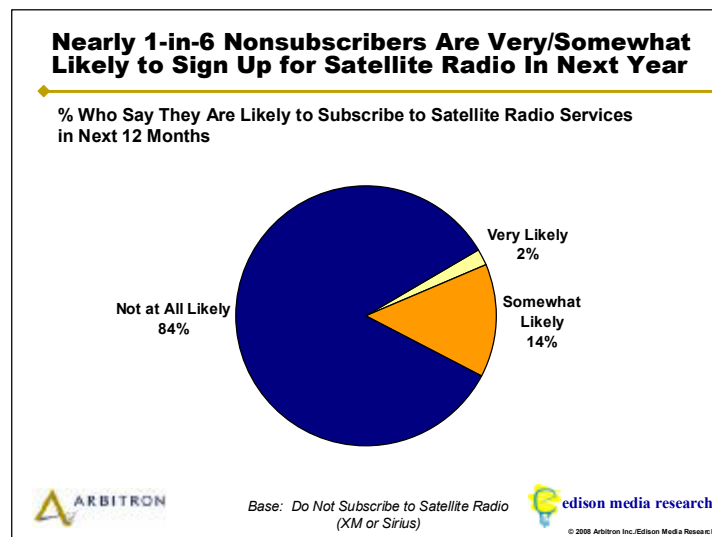


B. Satellite Radio

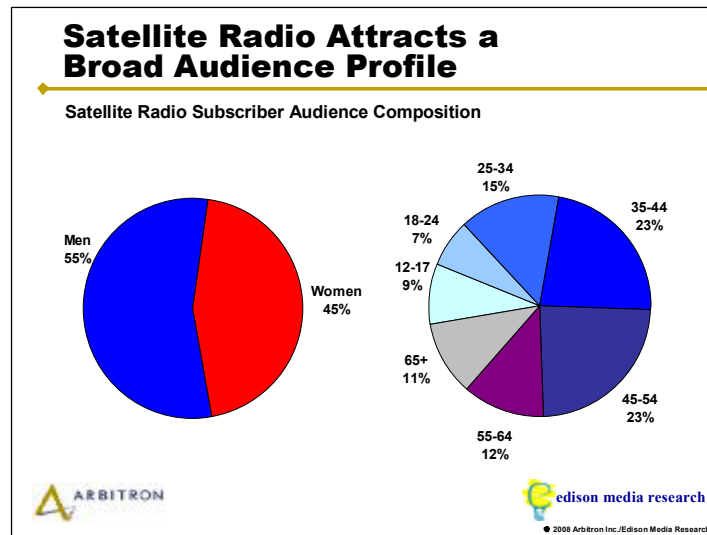
7. **Awareness of both satellite radio companies remains essentially flat for the third year in a row at around 60 percent.** In the year marked by merger talks between the two satellite radio companies -- XM and SIRIUS -- overall awareness of satellite delivered radio programming remained largely unchanged.



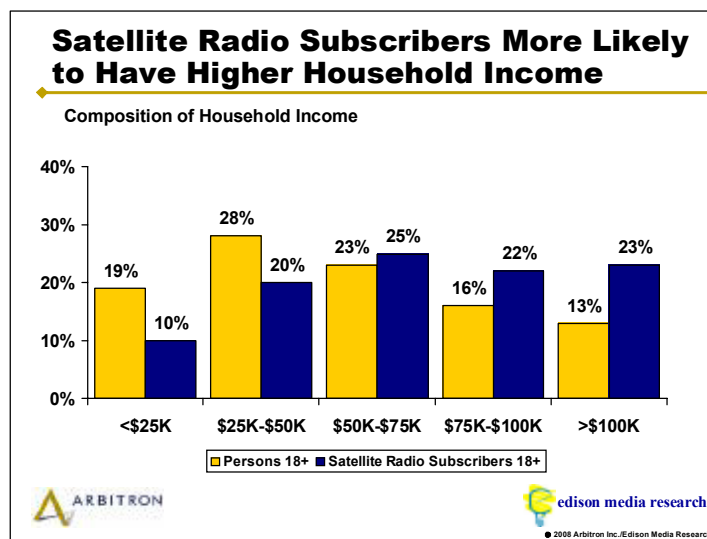
8. **Sixteen percent of those who do not currently subscribe to satellite radio (XM or SIRIUS) say they are likely to subscribe in the next 12 months.** This figure is down slightly from 18 percent in 2007. Only two percent of non-subscribers to satellite radio say they are "very likely" to subscribe in the next 12 months.



9. **Satellite radio attracts a broad audience profile.** The satellite radio audience skews male but for the most part, mirrors the profile of the American population more so than audiences of other digital forms of radio. Fifty-five percent of the satellite radio audience is men, and 23 percent are age 55 and older.



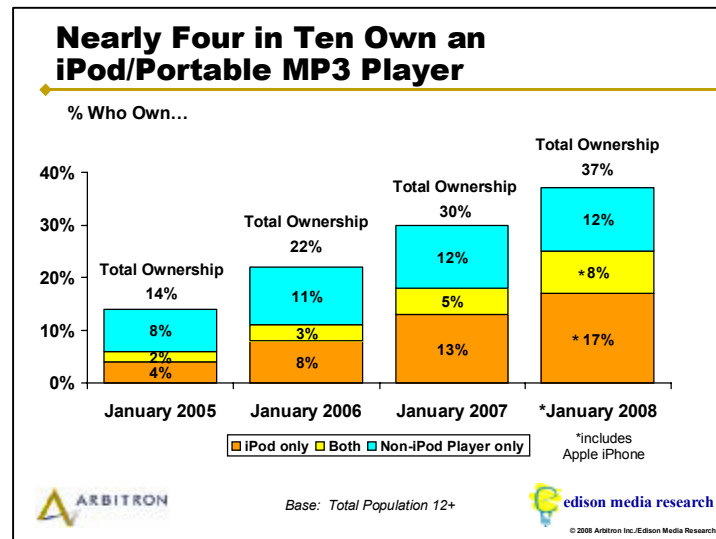
10. **Satellite radio subscribers are much more likely to live in \$100,000+ households.** To date, satellite radio has attracted a distinctly upscale audience; nearly one in four (23 percent) subscribers has an annual household income of \$100,000 or more, compared to 13 percent nationally.



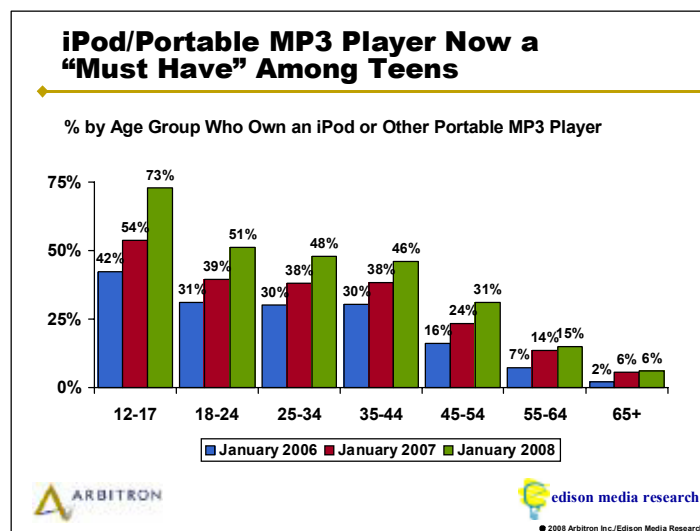
C. Digital Audio

11. Nearly four in ten Americans own an iPod or other portable MP3 player.

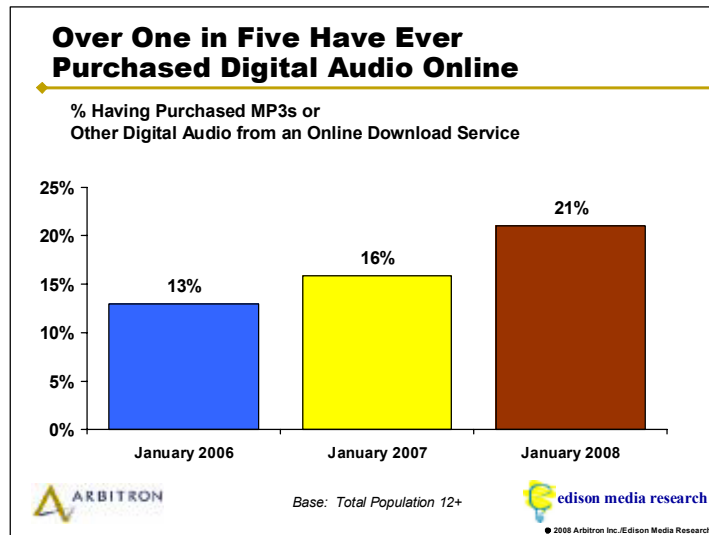
Thirty-seven percent of consumers age 12 and over own an iPod or other brand of portable MP3 player, which is nearly three times the figure from 2005.



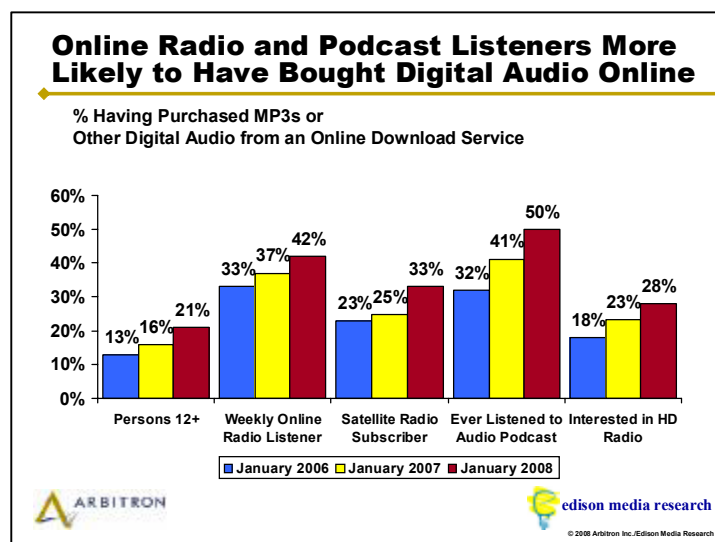
12. iPod/portable MP3 player ownership continues to skyrocket among teens. In 2007, 54 percent of teens owned an iPod or other portable MP3 player; in 2008 that number has risen dramatically to 73 percent of respondents age 12-17. Half of adults age 18-34 own an iPod or other portable MP3 player.



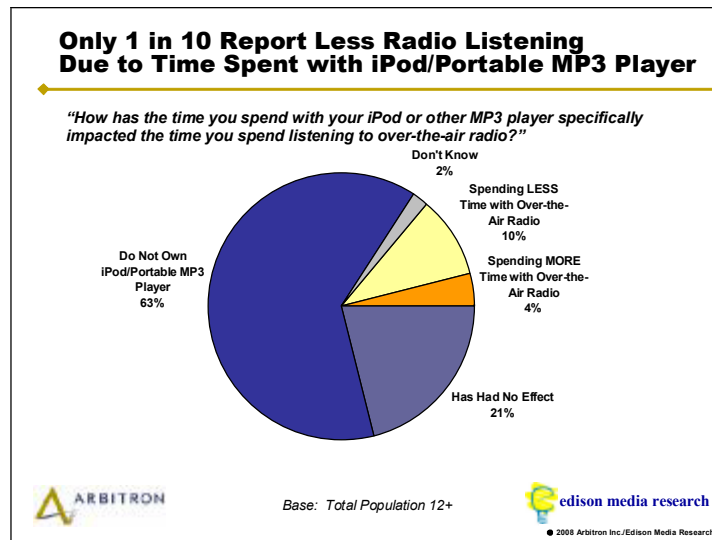
13. **Over one in five Americans has ever purchased digital audio online.** Twenty-one percent have ever purchased MP3s or digital audio over the Internet as of 2008; representing a 31 percent increase over 2007.



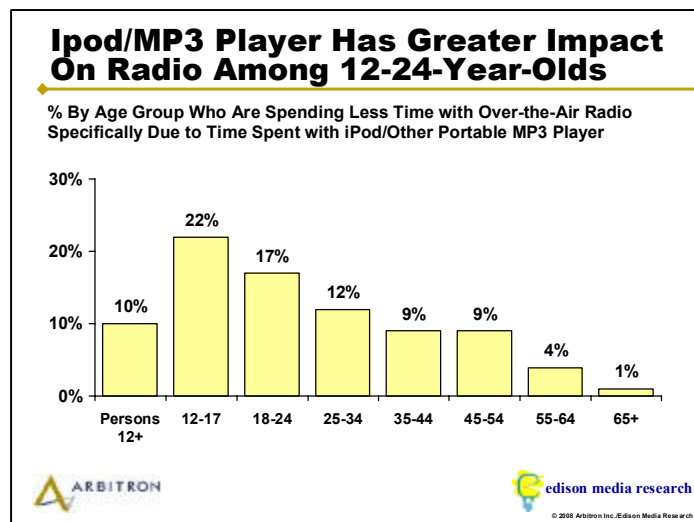
14. **Weekly online radio listeners and audio podcast listeners are more likely than average to purchase digital audio online.** Half of audio podcast users and 42 percent of weekly online radio listeners have ever purchased digital audio online, compared to 21 percent of all respondents age 12 and older.



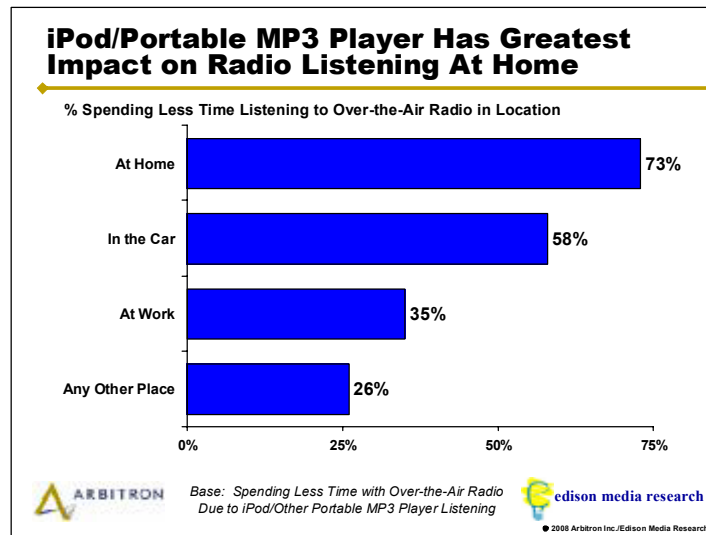
15. **Only ten percent report less time with over-the-air radio specifically due to time spent with their iPod/portable MP3 player.** Eighty-four percent of Americans age 12 and older either do not own an iPod/portable MP3 player or report the device has had no impact on radio listening. Ten percent of MP3 player owners say they are listening less to over-the-air radio, though four percent of owners report spending more time listening to over-the-air radio.



16. **Radio sees the most impact on listening from iPod/portable MP3 player owners age 12-24.** Twenty-two percent of 12-17s and 17 percent of 18-24s, say they are spending less time with over-the-air radio due to time spent with an iPod/portable MP3 player.

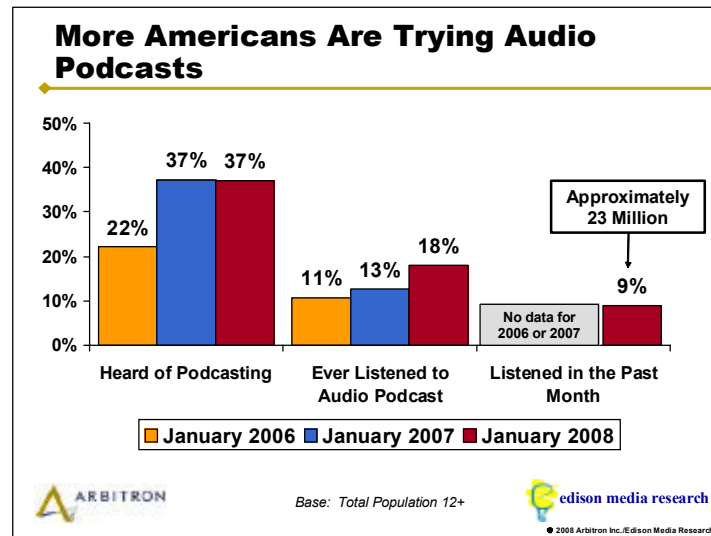


- 17. iPod/portable MP3 player usage has the greatest impact on over-the-air radio listening at home.** Among those who report spending less time listening to over-the-air radio due to time spent with their iPod/portable MP3 player, nearly three-quarters (73 percent) report less radio listening specifically at home; over half are listening less in the car (58 percent).

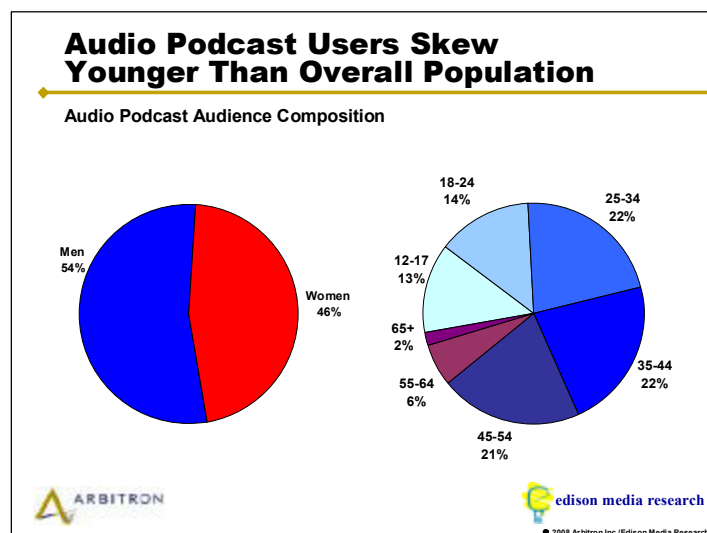


C. Podcasting

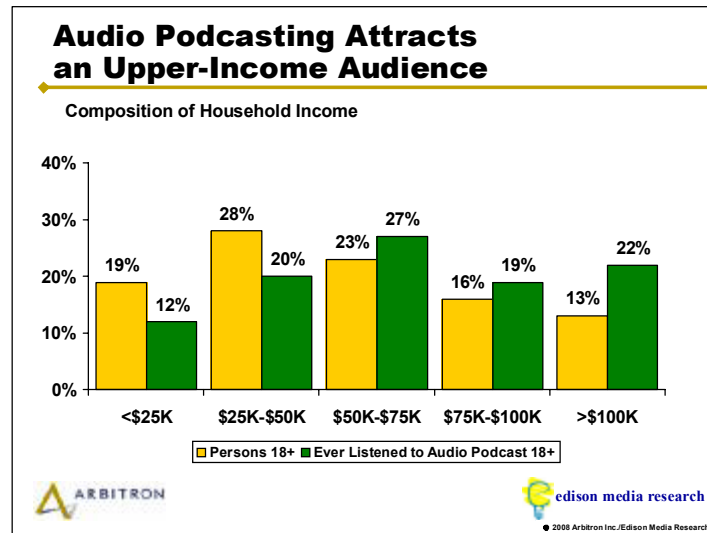
18. **Although awareness of podcasting has not changed, usage of audio podcasting is up.** While awareness of podcasting in 2008 remained steady at 37 percent (compared to 2007), those having ever listened to an audio podcast is up to 18 percent (from 13 percent in 2007). Nearly one in ten (nine percent) of Americans have listened to an audio podcast in the last month, equaling an estimated audience of 23 million listeners age 12 and older.



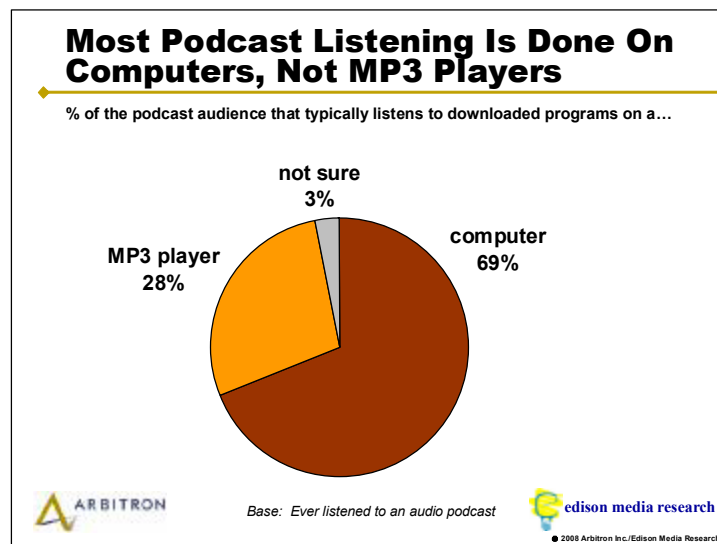
19. **Podcasting attracts a youthful audience.** More than one-quarter (27 percent) who have ever listened to an audio podcast are 12-17 years old, and nearly half (49 percent) are under the age of 35.



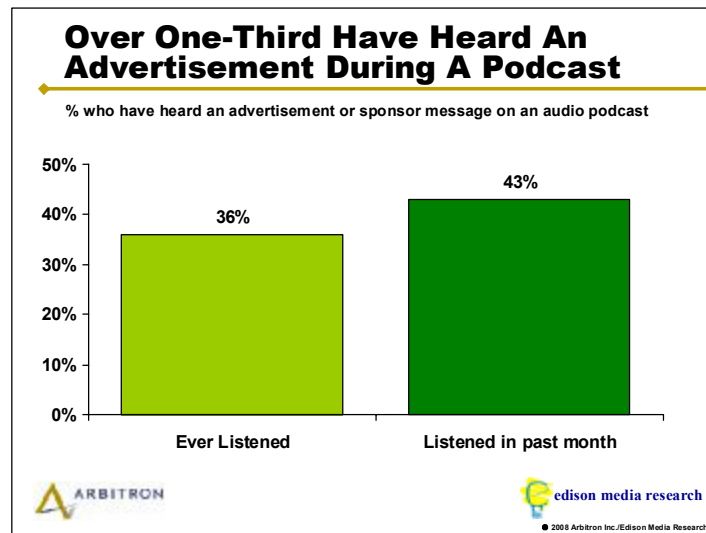
- 20. Audio podcasting attracts an upper-income audience.** Typical of these digital forms of radio, podcasting attracts a higher concentration of upper-income households, with 22 percent earning more than \$100,000 per year compared to 13 percent nationally.



- 21. The majority of audio podcast users listen to podcasts most often on their computer.** Sixty-nine percent of the audio podcast audience most often listens to the downloaded programming on their computer; only 28 percent most often transfer the files to their iPod/portable MP3 player before listening.

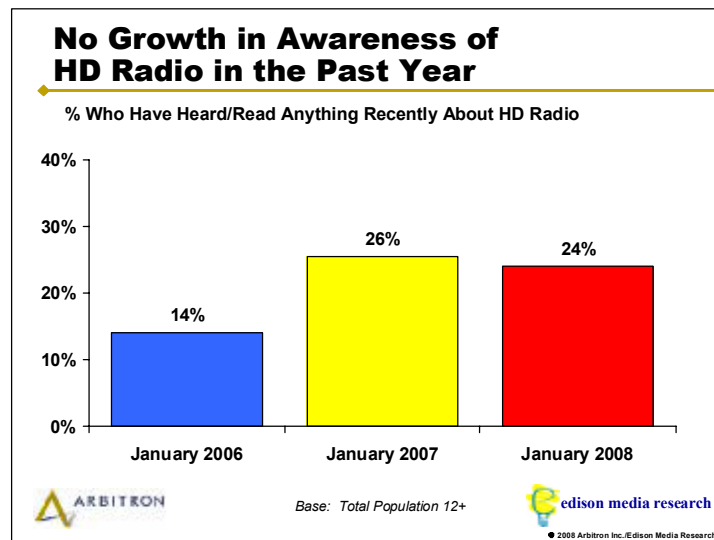


- 22. More than one-third of audio podcast listeners have heard a commercial during an audio podcast.** Thirty-six percent of those who have ever listened to an audio podcast say they recall hearing advertisements or sponsorship messages during the downloaded program; 43 percent of those who have listened to an audio podcast in the last month remember hearing on ad.

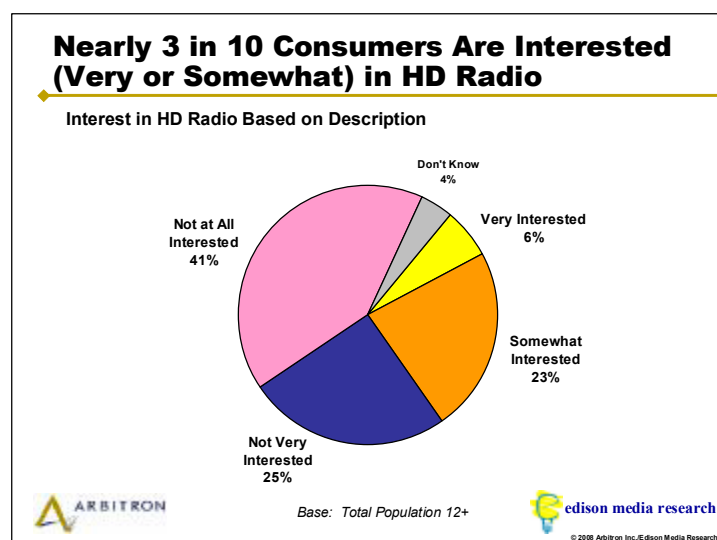


D. HD Radio

- 23. Awareness of HD Radio has not generated momentum over the past year.** In January 2006, 14 percent said they had heard or read anything recently about HD Radio; the following year that number nearly doubled to 26 percent, but for 2008 the awareness level remains fairly flat with 24 percent saying they have heard or read anything recently about the new broadcasting technology.

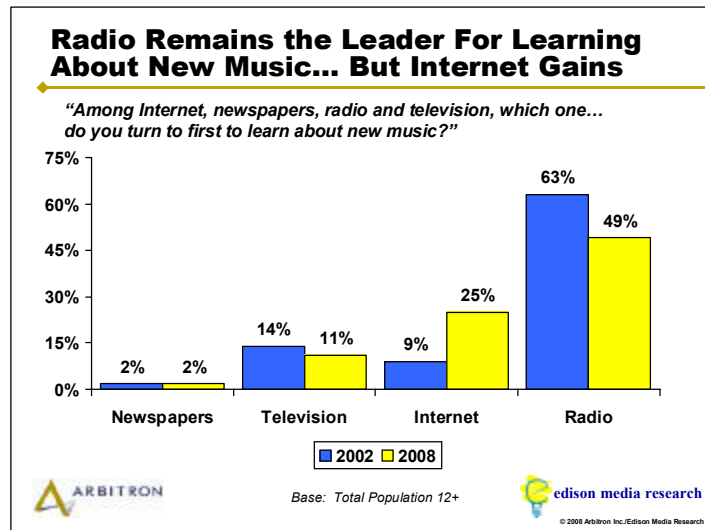


- 24. Less than one-third of consumers show an interest in HD Radio.** Six percent of Americans say they are “very” interested in HD Radio and another 23 percent are “somewhat” interested in the new high definition audio platform.

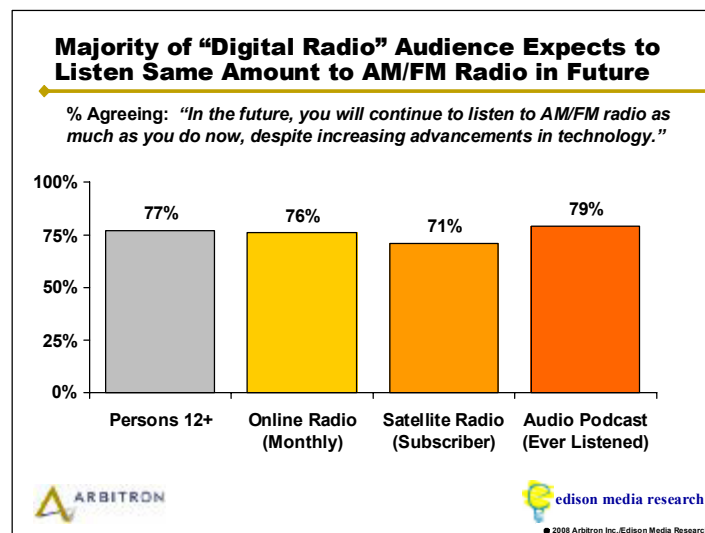


E. AM/FM Radio

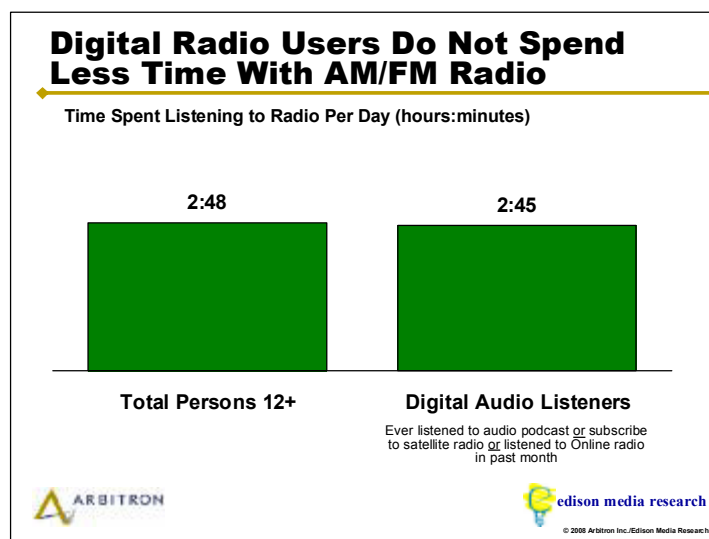
- 25. Radio is still the first medium Americans turn to for new music.** Nearly half (49 percent) of Americans age 12 and older first turn to radio to learn about new music, but that figure is down from 63 percent in 2002. Radio's loss has been the Internet's gain; currently 25 percent of Americans look online for new music, up from 9 percent in 2002.



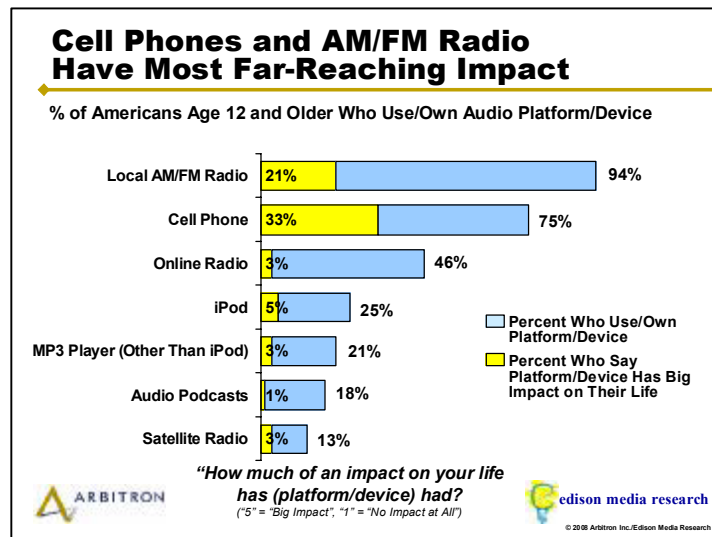
- 26. The majority of the "digital radio" audience predicts they will continue listening to the same amount of AM/FM radio.** Seventy-seven percent of Americans age 12 and older said they expect to listen to AM/FM radio as much as they do now despite increasing advancements in technology. The same holds true for online radio listeners and those who have tried audio podcasting. Satellite radio subscribers showed slightly less dedication to traditional broadcasting, with 71 percent saying they plan to continue listening to the same amount of AM/FM radio.



- 27. Contrary to commonly held beliefs, people who listen to digital radio platforms do not spend less time listening to AM/FM radio.** Some industry insiders assume that people who use new digital platforms listen less to AM/FM radio. As has been shown in previous Arbitron and Edison reports, once again we find that people who use digital radio platforms do NOT listen less to AM/FM radio. Among respondents in our study, the average time spent listening per day to AM/FM radio was 2 hours, 48 minutes compared with 2 hours, 45 minutes a day among those who use radio's new digital platforms (listened to online radio in the last month, or subscribe to satellite radio, or have ever listened to an audio podcast). Despite the growth in alternatives such as the iPod, online radio and satellite radio that we have reported, the time spent listening to AM/FM radio by users of digital radio platforms has not changed versus a year ago.



- 28. Among various audio platforms/devices, AM/FM radio and the cell phone have the biggest impact on people's lives.** Ninety-four percent of Americans use AM/FM radio, making it by far the most widely utilized audio platform; 21 percent say it has had a "big impact" on their lives. The cell phone follows as the second highest for usage/ownership among the audio platforms/devices measured, at three-quarters of all respondents age 12 and older; 33 percent say the cell phone has had a "big impact" on their lives.



The State of Digital Radio 2008

Online Radio (Streaming)

Those who have listened to online radio in the last month

- Estimated 54 million Americans
- 21% of U.S. population 12+

Those who have listened to online radio in the last week

- Estimated 33 million Americans
- 13% of U.S. population 12+
- 13% of Adults 18-34
- 14% of Adults 18-49

Satellite Radio (XM and SIRIUS)

- 59% of Americans have heard of XM Satellite Radio
- 60% of Americans have heard of SIRIUS Satellite Radio
- 13% of total sample 12+ subscribe
- 23% have a household income of \$100,000 or more

Audio Podcasting

- 37% of U.S. population 12+ are familiar with podcasting
- 18% of U.S. population 12+ have ever listened
- 9% of U.S. population 12+ have listened in the last month
- 22% who have ever listened to an audio podcast have a household income of \$100,000 or more

HD Radio

- 24% of U.S. population 12+ have recently read or heard about HD Radio
- 29% of U.S. population 12+ are very/somewhat interested

Closing Comments

1. **Online radio is the biggest and most developed digital platform.** An estimated 33 million Americans tune to online radio on a weekly basis and approximately 54 million listen monthly. This usage is significantly greater than is seen for other digital radio platforms. Online radio also has the most developed measurement (comScore-Arbitron Online Radio Ratings and PPM) to make the medium more accountable and easier to plan and buy.
2. **New iPod models continue to fuel growth of portable MP3 players.** The introduction of the iPhone and new iPod models continue to propel growth. Nearly four in ten Americans now own an iPod or other portable MP3 player. Continued growth and ubiquity means media companies need to have a podcast and iPod/MP3 player strategy.
3. **Satellite Radio awareness and intent to subscribe have leveled off.** The absence of big programming announcements, ongoing stories about consolidation and the passage of time since the launch of the services appear to have slowed the growth of awareness and intent to subscribe to satellite radio.
4. **Radio has to reinvigorate its image as a destination to discover new music.** In 2002, radio dominated the Internet for the image of the medium “you turn to for discovering new music.” Today, radio still leads the Internet but its advantage has been cut in half. Among teens, the Internet now leads radio for music discovery. Young people are unlikely to turn back to over-the-air radio itself for discovering new music but they may try Internet options provided by radio brands. Why aren't the best music discovery sites coming from AM/FM radio?
5. **HD radio needs new ways to attract consumers.** HD Radio does not appear to be attracting substantial numbers of consumers. Less than one-quarter of the sample can recall seeing or hearing anything recently about HD Radio (down slightly from 2007) and only 6 percent of consumers say they are “very interested” in the concept when it was described to them. Those involved with HD Radio should find new ways to present the concept to consumers to trigger more response.
6. **Broadband and cell phones have big impact on their users... plan now for when they merge.** We asked users about the impact of a variety of media/devices on their lives. The two with the greatest impact are broadband and the cell phone. Cell phones functioning with broadband speed will be a very powerful combination for consumers and a potential game-changing proposition. Media providers need to plan now for their long-term cell phone strategy and advertisers should start learning by experimenting now.
7. **Advertisers should continue to support digital radio in all its forms.** Users of digital radio are early-adopters who represent a broad variety of attractive qualitative attributes. Advertisers who want to go where the trend is leading should get more involved with new forms of ‘audio media’ while they expand. Consumers will respond to the advertisers who meet them on these new frontiers.
8. **AM/FM Radio remains important with the rise of new digital platforms.** AM/FM radio remains vital with consumers. Three quarters say they will continue to listen to AM/FM radio as much as they do now, despite increasing advancements in technology. One in five say AM/FM radio has a big impact on their lives, second only to cell phones. Digital platform users spend as much time (not less) with over-the-air radio compared with the average. The broadcast industry should promote and reinforce its virtues.

About Arbitron

Arbitron Inc. (NYSE: ARB) is an international media and marketing research firm serving the media (radio, television, cable, online radio and out-of-home) as well as advertisers and advertising agencies in the United States and Europe. Arbitron's core businesses are measuring network and local market radio audiences across the United States; surveying the retail, media and product patterns of local market consumers; and providing application software used for analyzing media audience and marketing information data. The company has developed the Portable People Meter™ (PPM™), a new technology for media and marketing research.

Arbitron's marketing and business units are supported by a world-renowned research and technology organization located in Columbia, Maryland. Arbitron has approximately 1,900 employees; its executive offices are located in New York City.

Through its Scarborough Research joint venture with The Nielsen Company, Arbitron provides additional media and marketing research services to the broadcast television, newspaper and online industries.

Arbitron's industry studies can be found on the company's Web site at www.arbitron.com and can be downloaded free of charge.

About Edison Media Research

Edison Media Research conducts survey research and provides strategic information to radio stations, television stations, newspapers, cable networks, record labels, Internet companies and other media organizations. Edison Media Research is also the sole provider of election exit poll data for the six major news organizations: ABC, CBS, CNN, FOX, and the Associated Press. Edison Media Research works with many of the largest American radio ownership groups, including Entercom, Citadel, CBS Radio, Bonneville and Westwood One; and also conducts strategic and perceptual research for a broad array of companies including Time Warner, Google, Yahoo!, Sony Music, Princeton University, Northwestern University, Universal Music Group, Time Life Music and the Voice of America. Edison Media Research has a fourteen year history of thought-leadership in the radio industry, and has provided services to successful radio stations in South America, Africa, Asia, Canada and Europe.

All of Edison Media Research's industry studies can be found on the company's Web site at www.edisonresearch.com and can be downloaded free of charge.





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